

Financial Planning

Investments

Assets



Planning to Increase Your Assets

BUILDING your financial future is an important concern, because decisions made early in life will greatly affect your prosperity in your middle years and your financial security after retirement.

Many people earn a living as financial planners or consultants, and there are scores of computer software programs that buyers may use to forecast the future and make present economic decisions and plans.

Although a computer program may serve as an aid, it's not a substitute for a financial planner who analyzes your needs and goals, establishes a program, reviews it and recommends, on a periodic basis, how to amend the program to improve your long-term financial status.

Look for the Right Services

At a minimum, you should look for a financial planner who will:

- ❑ Assess your financial history, including past income tax returns, investments, retirement plans, present and future debts, wills, trusts and insurance policies;
- ❑ Help you decide on a financial plan based on your personal and financial goals, history and preferences;
- ❑ Identify financial areas where you may need help, such as building up a retirement income or improving your investment returns;
- ❑ Write a financial plan based on your individual situation and discuss it thoroughly with you in plain English; and
- ❑ Help you implement your financial plan, periodically review it and suggest improvement changes or referral to specialists such as lawyers or accountants, if necessary.

Know Your Investment Needs

At a minimum, know the answers

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to these six questions before you consult with a financial planner.

- ❑ What are my financial goals today and 10 years from now?
- ❑ What will the future size of my family be, and its costs?
- ❑ Will I change occupations or go into business for myself someday?
- ❑ At what age will I retire and how much money will I need?
- ❑ What will my present budget afford for future investment?
- ❑ What is my investment philosophy? For example: Am I a risk-taker, conservative, or some of each, and for how long do I want to tie up certain money?

Selecting Your Financial Planner

Many people rely on the recommendation of friends who are satisfied with their planners, but consider looking around, because your needs may be different from those of your friends.

Whomever you choose, the person should be knowledgeable about taxation, insurance, and estate and retirement planning, and should know the basics of investments and family budgeting. The major associations representing financial planners can help you find the right person.

The groups to contact include:

- ❑ The Financial Planning Association. Many chapters have local websites, or you can visit the national website at www.fpanet.org.
- ❑ The National Association of Personal Financial Advisers. Their national website is www.napfa.org/default.htm, or you can call toll free (888) 333-6659.

However, a referral by one of these organizations is not assurance that the individual financial planner will meet your needs or comfort level. You may wish to check with local consumer-affairs offices



and state corporation commissions to determine if any complaints exist against named individuals or firms.

Look for Credentials

Some individuals take specialized training in financial planning and earn credentials such as Certified Financial Planner or Chartered Financial Consultant. Others may hold degrees or registrations as lawyer, certified public accountant or chartered life underwriter. But remember that the fact that these people may be real estate agents, insurance agents, clergymen, stockbrokers or retired military officers does not certify them as financial planners or consultants.

Carefully question financial planners about their background and experience. Bewary of individuals who promote various investment items without discussing with you any overall financial planning goal.

As a minimum, ask:

- 1. If the planner is registered with the Federal Securities and Exchange Commission or with a state agency. Anyone giving advice on securities, tax shelters, use of the stock market or the value of securities over other types of investments should be registered with the SEC or under state laws dealing with advisers.
- 2. How many companies the planner represents. Someone who represents only one or two companies may not be a financial planner, but more likely a broker or salesperson for the products they represent. You may wish to have an adviser who knows of and can offer you a wider range of choices to best suit your needs.
- 3. Who will you deal with on a regular basis? You will want to work with someone who knows your account and can provide a comprehensive and coordinated method of referral among their various "experts" who provide advice about your financial plans.
- 4. How the planner keeps up with the latest financial developments. Look for a planner who enrolls in continuing-education courses to keep current on tax and investment strategy.
- 5. Whether the planner will be involved in implementing the plan he or she suggests. Aside from developing a tailored plan for your needs, some planners will include provisions for updating your plan to adjust to changes in your life, current economic conditions and tax laws. Ask if this service is available and at what costs.



Understanding the Fee Process

Generally speaking, financial planners charge for their services in one of three ways.

- 1. Fee-only planners base the charge on gathering your financial data, analyzing it and recommending a plan of action. Hourly or flat fees are most common. Payment is required whether or not you choose to implement the suggested plan.
- 2. Commission-only planners make their money through commissions paid by the marketers of the investment products they sell. Planners who rely only on commissions might be more eager to direct your financial plan toward the purchase of products that provide them the best commissions.
- 3. Fee-and-commission planners receive compensation from both the client and the company that sells the product you buy. The fee charged by the planner may be less in this case.

Your decision depends on what you are to receive and what you are to pay, based on understandable written estimates. Compare the estimates and select the package of services that best meets your needs at a reasonable cost.

From an Attorney's View

Clients are most often dissatisfied when persons giving financial advice fail to meet the criteria suggested above, do not provide a comprehensive plan and are not likely to be readily available to assist the client and be accountable for the plan. This happens most often when the individual is simply selling a product as opposed to creating a long-term comprehensive investment plan and implementing it. In an effort to entice customers, some "planners" even indulge in the unlawful practice of providing customers with wills, trusts and other legal documents of questionable quality.

Now that you have some money, be certain you take every precaution to keep it, increase it and not share it unnecessarily with "advisers."

